The EFC recommended that the grants for specific purpose, which remain un-utilised due to non-observance of conditionalities attached to the release of the grants, may also be added to the Incentive Fund in the fifth year, *i.e.*, 2005-06 for distribution among the performing States. EFC also recommended that the final decision in respect of the undisbursed balance amount from the Incentive Fund will be subject to review of the Twelfth Finance Commission (TFC). TFC reviewed this arrangement and recommended that the Scheme of FRF may not continue over its award period, 2005-10 as the Scheme of Debt Relief recommended by it obviates the need for a separate Fiscal Reform Facility. The Government has accepted the recommendation of TFC.

(f) and (g) Some States including Karnataka had requested for pro-rata distribution of the undisbursed amount of Fiscal Reforms Facility Fund (FRF) of the EFC. GoI has informed Government of Karnataka that it is not possible to disburse the undisbursed portion of the incentive fund as the Scheme itself has been discontinued by TFC.

Management of pension funds

974. SHRI C. RAMACHANDRAIAH: Will the Minister of FINANCE be pleased to state:

(a) whether the entities that would be promoted by three public sector financial institutions would manage the pension funds;

(b) if so, whether any instructions would be laid down for the safety of the funds while investing in the stock market;

(c) if so, in which products the funds would be invested and also the details of the instructions laid down for safe investment;

(d) the total quantum of funds proposed to be invested; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) The Pension Fund Regulatory and Development Authority, through a competitive bidding process has identified three public sector entities *viz.* State Bank of India, Life Insurance Corporation of India and UTI- Asset Management Company Private Ltd. as sponsors of pension funds to manage the funds of the New Pension System in respect of Government of India employees who have joined on or after 1.1.2004.

(b) and (c) The pattern of permissible investments for non-government provident funds, superannuation funds and gratuity funds is prescribed by Government. With a view to providing wider avenues for investment by such funds this pattern of investment is periodically revised. There is no compulsion to invest in stock market as per this pattern. Investment decisions are taken by trustees of each fund based on their assessment of risk-return trade-off, and not by the Government.

The last notification in this regard was issued in January, 2005. This pattern of investment has been made applicable in respect of pension funds to be managed by the entities promoted by Public Sector Financial Institutes. As per the revised

pattern, an amount upto 5% of the total portfolio has been allowed to be invested in shares of those companies that have an investment grade debt rating from two credit rating agencies.

(d) It is estimated by the Central Pension Accounting Office that the funds referred to in answer to part(a) above is likely to be of the order of Rs. 240 crores as of now.

(e) Does not arise.

Closure of bank branches

†975. SHRI PYARELAL KHANDELWAL: Will the Minister of FINANCE be pleased to state:

(a) whether Nationalized Banks are considering to close down their branches in capital and other parts of the country;

(b) if so, the details thereof;

(c) the number of branches of above banks earmarked for closing throughout the country and particularly metropolitan cities;

(d) whether Government consider to open such closed branches in such regions where branches of Nationalized Banks do not exist or these branches are very less in number; and

(e) if so, the details thereof ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) No, Sir. Under the extant Branch Authorization Policy of the Reserve Bank of India (RBI), Commercial Banks, which include Nationalised banks, are permitted to close any branch in Metropolitan, Urban and Semi-urban centres on commercial considerations, without seeking prior approval from RBI. However, banks are to ensure that customers of the branch, which is being closed, are informed well in advance before actual closing of the branch to avoid inconvenience to them. The extant policy does not permit closure of even loss making branches at rural centres having a single commercial bank branch (excluding Regional Rural Bank branch). The proposals for closure of a rural branch at a centre, which is served by more than one commercial bank branch, are required to be included by the banks in their annual branch expansion plan after obtaining the approval of District Consultative Committee (DCC). Such proposals are considered by the RBI on a case to-case basis as per the extant policy.

(c) As the banks are permitted to close any of their branches at Metropolitan, Urban and Semi-urban centres without seeking prior approval from RBI, reporting to RBI about the branch proposed to be closed is not required. After closure of the branch, banks are required to report to the RBI and surrender the licence of the closed branch for cancellation.

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†Original notice of the question was received in Hindi.